1950 COTTON CROP INSURANCE PROGRAM

Summary of Major Program Provisions

Terms of Contract

Cotton crop insurance will be provided under a continuous contract similar to that offered in 1949. A new policy will be issued to producers who file applications for 1950. Producers insured in 1949 will receive riders to their 1949 policies incorporating the changes made in the policies for 1950. The contract will contain a cancelation clause which permits either the insured or the Corporation to cancel the contract for any future year by giving written notice on or before the final cancelation date for the county. (December 31 for Lubbock County, Texas and one calendar month prior to closing date for all other counties), such cancelation to become effective for the next crop year after such final cancelation date. The contract also contains a provision that if the insured cancels the policy for a given crop year he will not be eligible for insurance during such year unless he files a new application on or before the final cancelation date for that crop year. Producers insured in 1949 will be given notice of changes in the contract at least 15 days before the final cancelation date.

Plans of Insurance

Insurance will be offered under a commodity coverage plan and a monetary coverage plan but only one such plan may be offered in a county.

Commodity coverage insurance: Under the commodity coverage program the coverages and premium rates are both stated in pounds of cotton and the indemnity, if any, is first computed in pounds and later converted to dollars. An annual fixed price per pound of cotton will be used in converting both the premiums and the indemnities to dollar amounts. The fixed price will be 90 percent of the November 15 parity price of cotton preceding the crop year to which it applies with differentials for the grade and staple of cotton insured in the county and the location of the insurance unit. There will be only one fixed price for a county.

Monetary coverage insurance: Under the monetary coverage program the coverages and premium rates are both stated in dollar amounts. If the value of the production on an insurance unit is less than the total coverage the difference is the amount of indemnity due the insured. A predetermined price will be used for valuing the production to determine the amount, if any, of the indemnity. For 1950 the predetermined price for valuing cotton production will be $.24 per pound in Lubbock County and $.27 per pound in all other monetary coverage counties.

Establishing Coverages and Rates

The area plan will again be used in establishing coverages and rates. All land in a county where the productivity and risk of loss are relatively the same will be grouped in one area. All land within the same area will have the same coverage and the same premium rate. Land on which insurance will not be offered is unclassified and includes all land not adapted to the production of cotton as well as land on which the risk of growing cotton is so great or so uncertain that it is impractical or impossible to measure the insurance risk involved. The number of areas per county may vary. In counties where special practices are recognized, variations of coverages and premium rates by farming practices may be established. The areas are to be shown on maps and will be numbered so that after determining the number of the area in which a tract of land is located, reference can be made to the county actuarial table to obtain the applicable coverage and premium rate.

Progressive Coverage

The coverage is arranged in progressive amounts and increases as the insured's investment in the crop increases. The coverage per acre will be expressed in four stages as follows: First stage. After it is too late to plant cotton but before the first cultivation. Second stage. After the first cultivation but before laying by. Third stage. After laying by but before harvest. Fourth stage. After harvest and to the end of the insurance period.

Appraisals for Released Acreage

In determining the total amount of production on an insurance unit no appraisal will be made for acreage released in the first stage of production. The appraisal for acreage destroyed in the second stage of production will be the amount by which the production which could be expected from such acreage (if it were carried to harvest) exceeds the coverage, or the pounds equivalent of the coverage under the monetary coverage plan, for such acreage in the second stage of production. The appraisal for any acreage destroyed in the third stage of production will be that production which could be expected if the acreage remained for harvest and if favorable weather conditions prevail.

Quality Protection

If the quality of any harvested cotton is reduced by insurable causes to the extent that the average value per pound of such cotton, as determined by the Corporation, is less than 75 percent of the fixed price or predetermined price, as applicable for the type of program in the county, the number of pounds of such cotton production shall be adjusted to pounds of higher quality cotton by dividing the total value of such poor quality cotton by 75 percent of the fixed price or predetermined price for the county.

Insured Acreage

The contract will cover all insurable acreage (acreage for which a coverage and rate are established) in the county in which the insured has an interest except that no insurance will attach with respect to (1) acreage destroyed or substantially destroyed which could be replanted and is not replanted before it is too late to replant, (2) cotton replanted on acreage released because of damage to the cotton crop, (3) acreage planted to cotton but destroyed by natural causes or by the insured and not counted as cotton acreage under the cotton marketing quota program, (4) acreage planted to cotton following in the same crop year a small grain crop which reaches the heading stage, (5) new ground acreage, or newly leveled acreage in irrigated areas, planted to cotton the first year of cultivation, and (6) acreage initially planted too late to expect to produce a normal crop. The policy will contain a provision whereby the Corporation reserves the right to limit the insured acreage on each farm to the cotton allotment or permitted acreage.

Partial Insurance Protection

Partial insurance protection will be available which affords the insured one-half of maximum protection at a cost of one-half the premium. The insured may change from or to partial insurance protection by filing written notice with the Corporation on or before the final cancelation date preceding the year to which the change will apply. Such change is subject to Corporation approval.

Insurance Unit

Any loss under the contract is computed on the basis of the acreage included in an insurance unit. An insurance unit will consist of (1) all of the insurable acreage of cotton in the county in which the insured has 100 percent interest at the time of planting, plus any acreage owned by him and worked for him by sharecroppers, or (2) all of the insurable acreage of cotton in the county which is owned by the insured and rented to one share tenant at the time of planting; or (3) all of the insurable acreage of cotton in the county which is owned by one person and operated by the insured as a share tenant at the time of planting (whether operated with his own labor, wage hands or sharecroppers); or (4) all of the insurable acreage of cotton in the county which is owned by one person and worked by the insured as a sharecropper at the time of planting. Land rented for cash or for a fixed commodity payment shall be considered to be owned by the lessee. Insurance units are not limited to farm boundaries.

Premiums

There will be a reduction in the premium computed for an insurance unit based on the size of the acreage in the insurance unit if the insured acreage is 50 acres or more. The reduction will be 2 percent where the acreage in the insurance unit is as much as 50 acres and does not exceed 99.9 acres and an additional 2 percent reduction for each additional 50 acres or fraction thereof. The maximum reduction will be 20 percent.

There is a 5 percent discount for payment of the premium by June 30, 1950 provided that the acreage report is filed by that date.

In signing the application for insurance the applicant executes a note for the premium for each crop year of the contract. The note matures on the maturity date established for each county and stated in the policy. No interest will attach to any premium which is paid on or before December 31 following the maturity date. A 3 percent charge for interest will be made on premiums not paid on or before December 31 and an additional 1 percent will be added on the principal amount unapid at the end of each two calendar month period thereafter.

Collateral Assignment

The applicant may assign his right to an indemnity under the cotton crop insurance policy. The collateral assignment may be used as security in obtaining a bank loan, seed and fertilizer loan or to secure other forms of indebtedness.

Transfer of Interest

If the insured transfers all or a part of his insured interest in a cotton crop before the beginning of harvest or the time of loss, whichever occurs first, the transferee will be entitled to the benefits of the contract with respect to the interest so transferred, provided immediately following the transfer he makes suitable arrangements with the Corporation for the payment of any premium with respect to the interest transferred. Where suitable arrangements are made, the transferee and the transferor both will be responsible to the Corporation for the payment of the premium. Any transfer is subject to any collateral assignment made by the original insured. The transferee is not entitled to make a collateral assignment.

Notice of Loss

The contract contains a requirement that the insured shall notify the Corporation immediately after harvest or by the end of the insurance period, whichever is earlier, of any loss sustained under the contract and a further provision that if such notice is not given within 15 days after harvest, or by the end of the insurance period, whichever is earlier, the Corporation reserves the right to reject any claim for indemnity. This notice is in addition to the notice of damage or probable loss filed by a producer in case of material damage to his crop during the growing season.

Closing Dates

Closing dates for filing applications for insurance are the same as in 1949 with the exception of Orangeburg County, South Carolina, where the final date for filing applications will be March 31 instead of April 10.

Maturity Date

Maturity dates of premium notes are the same as in 1949; September 30 for Arizona and New Mexico; and August 31 for all other counties.